

**West Central Mental Health Center, Inc.**  
**Adel, Iowa**

**FINANCIAL REPORT**

**June 30, 2009**

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**West Central Mental Health Center, Inc.**  
**BOARD OF DIRECTORS**  
**June 30, 2009**

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**Adair County**

Cliff Sheriff, Supervisor  
2965 260<sup>th</sup> Street  
Greenfield, IA 50849

Arlene Schwartz, Vice President  
308 W. Iowa St.  
Greenfield, IA 50849

Tom Bingaman  
2080 York Ave.  
Greenfield, IA 50849

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**Dallas County**

Arden Augspurger, Treasurer  
2526 360<sup>th</sup> St.  
Van Meter, IA 50261

Russ Leckband  
19186 Bear Creek Rd.  
Earlham, IA 50072

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**Guthrie County**

Kevin Wirt, Supervisor  
3328 Hwy 44  
Panora, IA 50216

Janet Oberholtz, President  
2345 Redwood Ave.  
Guthrie Center, IA 50115

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
West Central Mental Health Center, Inc.  
Adel, Iowa

We have audited the accompanying statements of financial position of West Central Mental Health Center, Inc. (a nonprofit organization) as of June 30, 2009 and 2008, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West Central Mental Health Center, Inc. at June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2010 on our consideration of West Central Mental Health Center, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

  
**DENMAN & COMPANY, LLP**

West Des Moines, Iowa  
February 11, 2010

**West Central Mental Health Center, Inc.**  
**STATEMENTS OF FINANCIAL POSITION**

	<b>June 30</b>	
	<b>2009</b>	<b>2008</b>
<b>ASSETS</b>		
Cash	\$ 237,261	\$ 225,714
Accounts receivable, patient services, less allowance for doubtful accounts 2009 \$65,198; 2008 \$69,114		
Patients and third-party providers	121,529	176,124
Other	3,800	35,312
Prepaid expenses	19,826	15,327
Property and equipment, net of accumulated depreciation of 2009 \$296,207; 2008 \$283,926	<u>254,359</u>	<u>274,180</u>
Total assets	<u>\$ 636,775</u>	<u>\$ 726,657</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 10,808	\$ 4,335
Accrued expenses	<u>5,485</u>	<u>46,298</u>
Total liabilities	<u>16,293</u>	<u>50,633</u>
<b>NET ASSETS</b>		
Unrestricted	<u>620,482</u>	<u>676,024</u>
Total liabilities and net assets	<u>\$ 636,775</u>	<u>\$ 726,657</u>

See Notes to Financial Statements.

**West Central Mental Health Center, Inc.**  
**STATEMENTS OF ACTIVITIES**

	<b>Year ended June 30</b>	
	<b><u>2009</u></b>	<b><u>2008</u></b>
<b>PUBLIC SUPPORT AND REVENUE</b>		
Public support		
Contributions	\$ <u>125</u>	\$ <u>765</u>
Fees and grants from governmental agencies		
Dallas County	78,198	370,883
Adair County	63,823	63,823
Guthrie County	83,859	87,671
Madison County	495	—
Community Mental Health Services Block Grant	11,019	57,549
Other services	<u>2,208</u>	<u>296</u>
Total fees and grants from government agencies	<u>239,602</u>	<u>580,222</u>
Other revenue		
Net patient service revenue, including Title XIX, Medicare, and insurance, net of noncollectibles written off	367,421	438,219
Interest income	2,218	2,899
Medicaid reconciliation payment	<u>89,066</u>	<u>6,365</u>
Total other revenue	<u>458,705</u>	<u>447,483</u>
Total public support and other revenue	<u>698,432</u>	<u>1,028,470</u>
<b>EXPENSES</b>		
Program services		
Mental health center	417,945	523,346
Supported community living	14,481	14,686
New Horizons	<u>80,265</u>	<u>73,894</u>
Total program services	<u>512,691</u>	<u>611,926</u>
Supporting activity		
Management and general	<u>241,283</u>	<u>336,556</u>
Total expenses	<u>753,974</u>	<u>948,482</u>
<b>CHANGES IN NET ASSETS</b>	(55,542)	79,988
<b>NET ASSETS</b> , beginning of year	<u>676,024</u>	<u>596,036</u>
<b>NET ASSETS</b> , end of year	<u>\$ 620,482</u>	<u>\$ 676,024</u>

See Notes to Financial Statements.

**West Central Mental Health Center, Inc.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**

**Year ended June 30, 2009**

	<b>Program services</b>				<b>Supporting services</b>	
	<b>Mental Health Center</b>	<b>Supported Community Living</b>	<b>New Horizons</b>	<b>Total</b>	<b>Management and general</b>	<b>Total</b>
Salaries	\$ 189,552	\$ 9,883	\$ 46,877	\$ 246,312	\$ 109,279	\$ 355,591
Payroll taxes	14,503	753	3,574	18,830	9,119	27,949
Group health insurance	4,371	152	630	5,153	22,627	27,780
Retirement expense	4,853	600	2,651	8,104	1,760	9,864
Other employee benefits	7,858	—	1,330	9,188	668	9,856
Total salaries and related expenses	221,137	11,388	55,062	287,587	143,453	431,040
Consultation	135,154	115	2,270	137,539	1,295	138,834
After hours crisis	2,400	—	—	2,400	—	2,400
Legal and accounting	6,310	229	1,087	7,626	66,801	74,427
Contract labor	—	—	—	—	2,612	2,612
Professional supplies	—	—	—	—	—	—
Office supplies	6,799	388	1,842	9,029	4,362	13,391
Utilities and telephone	8,151	465	3,966	12,582	5,231	17,813
Postage	313	17	85	415	201	616
Rent	4,975	—	—	4,975	—	4,975
Repairs and maintenance	5,245	299	1,421	6,965	3,365	10,330
Dues and subscriptions	—	—	—	—	—	—
Transportation expenses	623	339	3,334	4,296	—	4,296
Insurance	10,735	612	3,707	15,054	6,887	21,941
Advertising	1,301	14	67	1,382	160	1,542
Depreciation	10,322	589	2,796	13,707	6,622	20,329
Bad debt	4,022	—	—	4,022	—	4,022
Miscellaneous	458	26	4,628	5,112	294	5,406
Total expenses	<u>\$ 417,945</u>	<u>\$ 14,481</u>	<u>\$ 80,265</u>	<u>\$ 512,691</u>	<u>\$ 241,283</u>	<u>\$ 753,974</u>

See Notes to Financial Statements.

**Year ended June 30, 2008**

<b>Program services</b>				<b>Supporting services</b>	
<b>Mental Health Center</b>	<b>Supported Community Living</b>	<b>New Horizons</b>	<b>Total</b>	<b>Management and general</b>	<b>Total</b>
\$ 251,441	\$ 9,053	\$ 43,354	\$ 303,848	\$ 204,606	\$ 508,454
18,544	671	3,239	22,454	12,476	34,930
19,565	599	2,382	22,546	18,317	40,863
12,241	539	2,564	15,344	11,299	26,643
<u>7,647</u>	<u>—</u>	<u>107</u>	<u>7,754</u>	<u>13,198</u>	<u>20,952</u>
309,438	10,862	51,646	371,946	259,896	631,842
137,811	130	587	138,528	1,835	140,363
2,200	—	—	2,200	—	2,200
3,604	163	741	4,508	39,269	43,777
2,910	—	—	2,910	—	2,910
233	—	—	233	—	233
9,571	434	1,967	11,972	6,149	18,121
10,673	463	4,392	15,528	6,569	22,097
965	44	198	1,207	620	1,827
7,450	—	—	7,450	—	7,450
4,492	203	923	5,618	2,886	8,504
996	45	205	1,246	640	1,886
4,232	815	2,166	7,213	337	7,550
12,489	790	3,282	16,561	7,647	24,208
359	16	74	449	231	680
15,542	704	3,194	19,440	9,983	29,423
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>381</u>	<u>17</u>	<u>4,519</u>	<u>4,917</u>	<u>494</u>	<u>5,411</u>
<u>\$ 523,346</u>	<u>\$ 14,686</u>	<u>\$ 73,894</u>	<u>\$ 611,926</u>	<u>\$ 336,556</u>	<u>\$ 948,482</u>

See Notes to Financial Statements.



**West Central Mental Health Center, Inc.**  
**STATEMENTS OF CASH FLOWS**  
Year ended June 30, 2009

	<b>Year ended June 30</b>	
	<b>2009</b>	<b>2008</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (55,542)	\$ 79,988
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	20,329	29,423
Change in assets and liabilities		
(Increase) decrease in patient and third party provider accounts receivables	54,595	(48,530)
(Increase) decrease in other receivables	31,512	(25,982)
(Increase) decrease in prepaid expenses	(4,499)	2,349
Increase in accounts payable	6,473	2,972
Increase (decrease) in accrued expenses	(40,813)	39,715
Net cash provided by operating activities	<u>12,055</u>	<u>79,935</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>(508)</u>	<u>—</u>
Net cash (used in) investing activities	<u>(508)</u>	<u>—</u>
<b>NET INCREASE IN CASH</b>	11,547	79,935
<b>CASH</b>		
Beginning	<u>225,714</u>	<u>145,779</u>
Ending	<u>\$ 237,261</u>	<u>\$ 225,714</u>

See Notes to Financial Statements.

**West Central Mental Health Center, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 NATURE OF ACTIVITIES**

West Central Mental Health Center, Inc. (the Center) is a nonprofit corporation established to provide a comprehensive community mental health program for the diagnosis and treatment of psychiatric and psychological disorders and to promote the prevention of mental illness. Services are provided to residents of Dallas, Adair, Guthrie, and Madison Counties.

The Center provides services through the following programs:

Mental Health Center – Provides outpatient psychotherapy and counseling services, psychiatric services, including ongoing medication management, psychiatric and psychosocial evaluation services, emergency services, and education services.

Supported Community Living – Provides people with serious and persistent mental illness with support to live independently in the community.

New Horizons – Enables patients with serious and persistent mental illness to gather together in one central location and to discover and develop their own unique capabilities.

**Basis of Presentation**

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

**Unrestricted** – assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. The Center's board may designate portions of the unrestricted net assets as board-designated for specific purposes, projects or investment as an aid in the planning of expenses and the conservation of assets.

**Temporarily restricted** – assets resulting from contributions and other inflows of assets whose use by the Center is limited to donor-imposed stipulations that either expire by passage of time or can be fulfilled by actions of the Center meeting the purpose of the restriction. Currently, the Center has no temporarily restricted net assets.

**Permanently restricted** – assets resulting from contributions which are permanently restricted by donors. Although such assets may not be expended, the investment income earned on them may be expended for any purpose. Currently, the Center has no permanently restricted net assets.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Center considers cash on hand and in banks and investments with a maturity of less than a year to be cash equivalents.

**West Central Mental Health Center, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 NATURE OF ACTIVITIES (continued)**

**Patient Receivables**

Patient receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a charge to receivables based on its assessment of the current status and billing rates of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to patient receivables. Changes in the valuation allowance have not been material to the financial statements. Management closely monitors outstanding balances and writes off all balances that will not be collected.

**Property and Equipment**

Property and equipment is recorded at cost, if purchased, or if donated, at the approximate fair value at the date of donation. Depreciation is computed by the straight-line method over the estimated useful lives of the assets, which range from 5 to 40 years.

**Net Patient Service Revenue**

Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, counties, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

**Contributions Received**

Contributions, which are defined as unconditional transfers of cash or other assets, are measured at fair value on the date received and given recognition as revenue. The imposition of restrictions on how a contribution is to be used does not delay recognition.

Contributions with donor-imposed restrictions are reported as restricted contributions. Gifts of long-lived assets received without donor-imposed restrictions are considered unrestricted support.

**Functional Allocations of Expenses**

The Center allocates expenses on a functional basis among direct program services and management and general. Expenses are allocated directly to the program service or supporting activity benefited. Certain expenses are allocated using the estimated percentage base.

**West Central Mental Health Center, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 PROPERTY AND EQUIPMENT**

A summary of property and equipment and related accumulated depreciation consists of the following:

	<b>June 30, 2009</b>			<b>June 30, 2008</b>		
	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net</b>
Land	\$ 19,000	\$ —	\$ 19,000	\$ 19,000	\$ —	\$ 19,000
Land improvements	21,720	12,059	9,661	21,720	11,028	10,692
Buildings	407,323	195,342	211,981	407,323	184,652	222,671
Furniture, fixtures and equipment	92,042	78,423	13,619	91,534	69,853	21,681
Leasehold improvement	380	282	98	380	244	136
Vehicles	<u>10,101</u>	<u>10,101</u>	<u>—</u>	<u>18,149</u>	<u>18,149</u>	<u>—</u>
Totals	<u>\$ 550,566</u>	<u>\$ 296,207</u>	<u>\$ 254,359</u>	<u>\$ 558,106</u>	<u>\$ 283,926</u>	<u>\$ 274,180</u>

**NOTE 3 RETIREMENT PLAN**

A defined contribution pension plan for eligible employees is maintained by the Center. The funding is current as of June 30, 2009. Net pension expense for the years ended June 30, 2009 and 2008 were \$9,864 and \$26,643, respectively. The plan has a six-month waiting period for participation for all employees.

**NOTE 4 OPERATING LEASES**

The Center, as the lessee, leases a copy machine under an operating lease that requires monthly rental payments of approximately \$176, through June 2014. Lease expense for the copy machine totaled \$2,187 for the year ended June 30, 2009.

The following is a schedule of noncancelable future minimum lease payments required under the operating lease:

**Year ending June 30**

2010	\$ 2,118
2011	2,118
2012	2,118
2013	2,118
2014	<u>1,942</u>
	<u>\$ 10,414</u>

**NOTE 5 CONCENTRATION OF CREDIT RISK**

Financial instruments that potentially subject the Center to concentrations of credit risk consist principally of demand deposits located at a financial institution. These demand deposits exceeded the federally insured limit of \$250,000 at times throughout the year.

The Center provides counseling to individuals in a three-county area. The Center grants credit to these individuals and the three counties.

The Center receives a substantial amount of its revenue from third-party payors, including Medicare, Medicaid, three counties and several insurance companies. A significant reduction in reimbursement by any of these third-party payors could have a material impact on the Center's programs and services.

**West Central Mental Health Center, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 CENTER RISK MANAGEMENT**

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

**NOTE 7 INCOME TAX STATUS**

The Organization is exempt from federal income tax under the provisions of Section 501(c)(3), Internal Revenue Code, and annually files a federal return as an exempt organization.

The Organization has elected to defer the application of the accounting for uncertainty in income tax requirements as required by the Income Tax Topic of the *FASB Accounting Standards Codification*, to the fiscal year beginning July 1, 2009. Currently, the Organization evaluates uncertain tax positions in accordance with the "substantial authority" standard described in Treasury Regulations, which is less stringent than the "more-likely-than-not" standard required by the Codification.

**NOTE 8 SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through February 11, 2010, the date which the financial statements were available to be issued. There were no subsequent events that required disclosure.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
West Central Mental Health Center, Inc.  
Adel, Iowa

We have audited the financial statements of West Central Mental Health Center, Inc. (a nonprofit organization) as of and for the year ended June 30, 2009, and have issued our report thereon dated February 11, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered West Central Mental Health Center, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Center's financial statements that is more than inconsequential will not be prevented or detected by the Center's internal control. We consider the deficiencies described in Part 1 of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Center's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether West Central Mental Health Center, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Center's management and Board of Directors and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
**DENMAN & COMPANY, LLP**

West Des Moines, Iowa  
February 11, 2010

**West Central Mental health Center, Inc.**  
**SCHEDULE OF FINDINGS**  
**Year ended June 30, 2009**

**Part I – Findings Related to the Financial Statements**

**SIGNIFICANT DEFICIENCY**

**I-A-09 BOARD MINUTES**

Board minutes for meetings held for the period August, 2008 to March, 2009 were not available for review.

**Recommendation**

Minutes should be prepared and retained for all meetings of the Board of Directors.

**Response**

Board minutes will be prepared for all meetings of the Board of Directors.

**Conclusion**

Response accepted.